GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:1231
ANSWERED ON:30.11.2012
ASSESSMENT OF UNDER RECOVERIES
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the transparent mechanism is in place to assess the nature and extent of under-recoveries by the Oil Marketing Companies (OMCs) claiming reimbursement of subsidies and if so, the details thereof;and

(b) the detailed process of pricing of petroleum products viz. cost of imports, refining overheads and commission to dealers?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SMT. PANABAAKA LAKSHMI)

(a) & (b): As recommended by Dr. Rangarajan Committee in 2006, the Public Sector Oil Marketing Companies (OMCs) pay Trade Parity Price for purchase of Diesel and Import Parity Price for purchase of PDS Kerosene & Domestic LPG from the refineries. The IPP/ TPP are determined based on prices prevailing in the international market. The brief details of IPP/ TPP are given below:

Import Parity Price (IPP) − IPP represents the price that importers would pay in case of actual import of product at the respective Indian ports and includes the elements of:
{FOB price + Ocean Freight + Insurance + Custom Duties + Port Dues, etc.}

Export Parity Price (EPP) − EPP represents the price which oil companies would realize on export of petroleum products

{FOB price + Advance License benefit (for duty free import of crude oil pursuant to export of refined products)}

Trade Parity Price (TPP) - TPP consists of 80% of Import Parity Price and 20% of Export Parity Price.

The following elements are taken into account while calculating the Retail Selling Price (RSP) of Diesel, PDS Kerosene and Domestic LPG:

Price paid to refinery

Inland freight up to the market

Marketing Margin

LPG bottling charges

Dealer/ Distributors commission

Excise duty

Value added tax and local levies

However, in order to insulate the common man from the impact of rise in international oil prices and the domestic inflationary conditions, the Government continues to modulate the RSPs of Diesel, PDS Kerosene and Domestic Subsidized LPG and their prices are below the required market price, resulting in incidence of under-recovery to the OMCs on sale of these products.

The detailed price build-up of Diesel, PDS Kerosene and Domestic subsidized LPG at Delhi is given at Annexure.